Boston University

Financial Statements
June 30, 2008 and 2007

Report of Independent Auditors

To the Board of Trustees of Boston University:

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Boston University (the "University") at June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 6 to the consolidated financial statements, the University adopted Statement of Financial Accounting Standards ("FASB") No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" in 2007. In accordance with the transition provisions of FASB No. 158, the 2007 consolidated financial statements include the cumulative effect of adopting this accounting principle as of June 30, 2007.

PricewaterhouseCoopers LLP

Boston, Massachusetts
October 27, 2008

June 30, 2008 and 2007
($000)

	2008	2007
ASSETS		
Cash and cash equivalents (Note 1)	$ 219,848	$ 225,439
Cash and cash equivalents—restricted (Note 1)	215,173	48,607
Short-term investments (Notes 1 and 2)	10,735	72,057
Accounts receivable, net of allowance (Notes 1 and 3)	157,522	147,227
Pledges receivable, net of allowance (Note 3)	31,702	31,932
Prepaid expenses and other assets (Note 4)	80,109	90,098
Long-term investments (Notes 1 and 2)	1,135,031	1,056,056
Property, plant, and equipment, net (Notes 1 and 4)	1,956,963	1,759,680
Total assets	$ 3,807,083	$ 3,431,096
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued payroll and related expenses	$ 128,749	$ 124,737
Accounts payable and accrued expenses, including minority interest of $72,087 and $36,962 as of June 30, 2008, and 2007, respectively (Notes 4, 6, and 7)	382,564	251,121
Deferred income and student deposits	98,485	89,577
Annuities payable (Note 1)	15,951	14,750
Capital lease obligation (Note 7)	84,800	84,800
Discounted note obligation (Note 2)	31,123	28,066
Bonds, notes, and mortgages payable, net of unamortized bond premium/discount (Note 5)	1,267,123	1,077,455
Total liabilities	2,008,795	1,670,506
Commitments and contingencies (Note 7)		
Net assets (Note 1):		
Unrestricted:		
Allocated for designated purposes	959,844	961,676
Available for general purposes	15,753	15,504
Total unrestricted	975,597	977,180
Temporarily restricted	523,344	492,220
Permanently restricted	299,347	291,190
Total net assets	1,798,288	1,760,590
Total liabilities and net assets	$ 3,807,083	$ 3,431,096

The accompanying notes are an integral part of the consolidated financial statements.

For the years ended June 30, 2008 and 2007
($000)

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues (Note 1)				
Student tuition and fees	$ 933,279	$	$	$ 933,279
Student aid	(235,175)			(235,175)
Sponsored programs	189,642			189,642
Gifts	24,881	530		25,411
Sales and services	105,440			105,440
Spending formula amount and other investment income (Notes 1 and 2)	13,967	20,300		34,267
Recovery of facilities and administrative costs	136,767			136,767
Sponsored program income for student aid	15,095			15,095
Other income	13,862			13,862
Auxiliary enterprises	238,851			238,851
Student aid	(2,816)			(2,816)
Net assets released from restrictions	27,957	(27,957)		
Contributions used for operations		6,557		6,557
Total operating revenues	1,461,750	(570)		1,461,180
Operating expenses (Note 1)				
Instruction and departmental research	688,363			688,363
Educational support activities	109,833			109,833
Sponsored programs	189,642			189,642
Libraries	24,394			24,394
General and administrative	160,120			160,120
Student aid	12,510			12,510
Auxiliary enterprises	213,859			213,859
Total operating expenses	1,398,721			1,398,721
Net operating gain (loss)	63,029	(570)		62,459
Nonoperating revenues and (expenses)				
Contribution revenue (Note 1)	6,617	11,575	6,672	24,864
Contributions used for operations		(6,557)		(6,557)
Spending formula amount and other investment income (Notes 1 and 2)	5,077	2,689	305	8,071
Excess (deficit) of investment return over spending formula amount (Note 2)	(458)	2,983	(730)	1,795
Net realized and unrealized losses on interest rate exchange agreements (Note 5)	(68,913)			(68,913)
Amortization of discounted note obligation (Note 2)	(3,057)			(3,057)
Cumulative effect of initial application of FAS 158 (Note 6)				
Pension related changes other than net periodic pension cost	3,513			3,513
Other additions (deductions), net	(7,391)	21,004	1,910	15,523
Net nonoperating income (loss)	(64,612)	31,694	8,157	(24,761)
Change in net assets	(1,583)	31,124	8,157	37,698
Beginning net assets	977,180	492,220	291,190	1,760,590
Ending net assets	$ 975,597	$ 523,344	$ 299,347	$ 1,798,288

The accompanying notes are an integral part of the consolidated financial statements.

2007 Unrestricted	2007 Temporarily Restricted	2007 Permanently Restricted	2007 Total	
				Operating revenues (Note 1)
$ 882,014	$	$	$ 882,014	Student tuition and fees
(229,790)			(229,790)	Student aid
187,393			187,393	Sponsored programs
23,762	895		24,657	Gifts
105,725			105,725	Sales and services
14,970	17,558		32,528	Spending formula amount and other investment income (Notes 1 and 2)
128,605			128,605	Recovery of facilities and administrative costs
15,692			15,692	Sponsored program income for student aid
9,673			9,673	Other income
227,488			227,488	Auxiliary enterprises
(2,731)			(2,731)	Student aid
25,800	(25,800)			Net assets released from restrictions
	8,242		8,242	Contributions used for operations
1,388,601	895		1,389,496	**Total operating revenues**
				Operating expenses (Note 1)
657,863			657,863	Instruction and departmental research
106,103			106,103	Educational support activities
187,393			187,393	Sponsored programs
21,764			21,764	Libraries
145,669			145,669	General and administrative
12,166			12,166	Student aid
202,485			202,485	Auxiliary enterprises
1,333,443			1,333,443	**Total operating expenses**
55,158	895		56,053	**Net operating gain (loss)**
				Nonoperating revenues and (expenses)
5,059	5,945	17,880	28,884	Contribution revenue (Note 1)
	(8,242)		(8,242)	Contributions used for operations
9,522	2,391	478	12,391	Spending formula amount and other investment income (Notes 1 and 2)
59,991	122,962	1,109	184,062	Excess (deficit) of investment return over spending formula amount (Note 2)
(9,909)			(9,909)	Net realized and unrealized losses on interest rate exchange agreements (Note 5)
	(3,204)		(3,204)	Amortization of discounted note obligation (Note 2)
(13,964)			(13,964)	Cumulative effect of initial application of FAS 158 (Note 6)
				Pension related changes other than net periodic pension cost
(3,611)	18,298	8,577	23,264	Other additions (deductions), net
47,088	138,150	28,044	213,282	**Net nonoperating income (loss)**
102,246	139,045	28,044	269,335	**Change in net assets**
874,934	353,175	263,146	1,491,255	Beginning net assets
$ 977,180	$ 492,220	$ 291,190	$ 1,760,590	**Ending net assets**

The accompanying notes are an integral part of the consolidated financial statements.

For the years ended June 30, 2008 and 2007
($000)

	2008	2007
Cash flows from operating activities:		
Change in net assets	$ 37,698	$269,335
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	80,217	76,472
Loss on debt extinguishment	9,642	
Cumulative effect of initial application of FAS 158		13,964
Non-cash additions to property and equipment		(9,312)
Loss (gain) on sale of property and equipment	1,164	(660)
Loss on disposal of property and equipment	1,426	2,791
Unrealized losses on interest rate exchange agreements	65,626	8,296
Amortization of bond premium/discount	3,497	3,331
Net realized and unrealized gains on investments	(17,402)	(193,319)
Provision for bad debts	2,974	323
Restricted contributions	(8,397)	(17,880)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(5,157)	(3,403)
Decrease in pledges receivable	3,171	4,197
Increase (decrease) in prepaid expenses and other assets	747	(533)
Increase (decrease) in accounts payable and accrued expenses	50,118	(563)
Increase in accrued payroll and related expenses	4,012	22,240
Increase (decrease) in deferred income and student deposits	8,908	(2,772)
Net cash provided by operating activities	238,244	172,507
Cash flows from investing activities:		
Purchases of investments	(534,654)	(271,387)
Proceeds from sales and maturities of investments	534,403	232,637
Increase in receivable for investments sold	(11,053)	(832)
Proceeds from sale of property and equipment	6,769	2,224
Purchases of property and equipment	(271,560)	(132,859)
(Increase) decrease in cash equivalents-restricted	(166,566)	39,728
Net cash used in investing activities	(442,661)	(130,489)
Cash flows from financing activities:		
Payment of bonds, notes, and mortgages	(480,847)	(6,529)
Increase in annuity obligations	1,201	508
Proceeds from bonds and notes payable	670,565	
Restricted contributions	8,397	17,880
Net cash provided by financing activities	199,316	11,859
Unrealized (gains) losses on currency exchange	(490)	4,530
Net (decrease) increase in cash and cash equivalents	(5,591)	58,407
Cash and cash equivalents beginning of year	225,439	167,032
Cash and cash equivalents end of year	$219,848	$225,439
Supplemental disclosure of non-cash information:		
Property and equipment acquired under capital lease obligations	$	$ 25,395
Property and equipment included in accounts payable	$ 15,699	$ 13,169

The accompanying notes are an integral part of the consolidated financial statements.

1. Accounting Policies

The following is a summary of the significant accounting policies of the University.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the reporting principles of not-for-profit accounting.

Unrestricted net assets are free of donor-imposed restrictions. Activities reported within unrestricted net assets include education and general, sponsored and departmental research, unexpended plant and debt service, investments in plant, long-term investments, and student loans. Contributions, gains, and investment income whose restrictions are met in the same reporting period are reported as unrestricted support.

Temporarily restricted net assets include gifts for which donor-imposed restrictions as to time or purpose have not been met (primarily future capital projects) and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

The composition of the temporarily restricted net assets as of June 30, 2008 and 2007, in thousands of dollars, is as follows:

	2008	2007
Net realized and unrealized gain on endowment	$ 414,477	$ 405,207
Life income and annuity funds	21,106	21,350
Contributions receivable, net	26,873	25,378
Contributions restricted for plant	60,157	39,247
Other contributions	731	1,038
	$ 523,344	$ 492,220

Permanently restricted net assets include gifts and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for spending in accordance with donor restrictions.

The composition of the permanently restricted net assets as of June 30, 2008 and 2007, in thousands of dollars, is as follows:

	2008	2007
Endowment funds	$ 271,651	$ 263,304
Contributions receivable, net	4,829	6,554
Donor funds restricted for student loans	22,867	21,332
	$ 299,347	$ 291,190

Nonoperating activities reflect transactions of a long-term investment or capital nature including contributions to be invested by the University to generate a return that will support future operations, contributions to be received in the future, contributions to be used for facilities and equipment, gains and losses on interest rate exchange agreements, the excess (deficit) of investment returns over the spending formula amount, the cumulative effect of change in accounting principle (see Note 6) and certain other nonrecurring activities.

Sponsored Programs:
Revenues associated with contracts and grants are recognized as the related costs or capital expenditures are incurred. Grant revenue used for the construction or acquisition of plant is recorded within nonoperating activities. The University records reimbursement of facilities and administrative costs relating to government contracts and grants at authorized rates each year.

Principles of Consolidation:
The consolidated financial statements include the University and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Property, Plant, and Equipment:
Maintenance and repairs are expensed as incurred and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon is removed from the accounts, and gains and losses are included in operations in the statement of activities.

Long-lived assets and certain intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. When such events or changes in circumstances indicate an asset may not be recoverable, an impairment loss is required to be recognized in an amount by which the asset's net book value exceeds its estimated fair value.

Gifts:
Gifts, including unconditional promises to give, are recorded upon receipt. Gifts other than cash are recorded at fair market value at the date of contribution. The University records gifts of patents that are accepted solely for future use in educational or scientific research at a nominal value. Gifts with donor-imposed restrictions, which are reported as temporarily restricted revenues, are reclassified to unrestricted net assets when an expense is incurred that satisfies the restriction (see Note 3).

Investment Income:
The major portion of long-term investments are maintained on a pooled basis. Units in the pool are assigned on the basis of market value at the time net assets to be invested are received, and income is distributed quarterly thereafter on a per-unit basis.

Valuation of Investments:
Investments in marketable securities are stated at fair value as determined by the quoted market prices of publicly traded securities. Except as stated in Note 2, investments in closely held, unregistered and nonnegotiable securities for which fair value quotations are not readily available, are valued by the general partnership or fund manager and are reviewed by management for reasonableness and approved by an advisory committee of the Board of Trustees. These estimated values are subject to uncertainty and, therefore, may differ significantly from the value that would have been used had the investments been traded on a public market. The average cost method is used for calculating realized gains. The investment portfolio is reflected on a trade-date basis.

Net gains and losses are classified as unrestricted net assets unless they are restricted by a donor or the law. Net gains on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by the University in accordance with donor restrictions and Massachusetts law.

Real Estate Partnerships:
The University owns shares in certain real estate partnerships ranging from 20 to 50%, which have been accounted for using the equity method within the statement of financial position. The University's ownership interest in these partnerships has been recorded within long-term investments on the statement of financial position.

Cash and Cash Equivalents:
The University considers cash on hand, cash in banks, certificates of deposit, time deposits, and U.S. Government and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents. Cash and cash equivalents-restricted represent funds held by the trustees associated with the Massachusetts Development Finance Agency Bond Issue Series U1, U2, U3, and U4 and Massachusetts Health and Educational Facilities Authority Series N, and will be drawn down to fund various construction projects and costs of issuance. In addition, the University was required to post collateral with counterparties in the form of cash and cash equivalents under the terms of certain interest rate exchange agreements (see Note 5).

As of June 30, 2008, the University's reported cash and cash equivalents included approximately $48 million, representing 11% of the University's fiscal year end cash and cash equivalents, with the Commonfund Short Term Investments Fund (STF), a bank commingled fund using Wachovia Bank N.A. as trustee (the "Trustee"), and sponsored by The Commonfund for Nonprofits. Historically, management's policy for defining cash and cash equivalents has included amounts invested in the STF. On September 29, 2008, the Trustee notified Commonfund and the fund participants that it was exercising its right to initiate the termination of the STF, impose liquidity restrictions thereon, and establish procedures for an orderly liquidation and distribution of the fund's assets. However, on September 4, 2008, prior to the issuance of this illiquidity notice, the University liquidated and withdrew its entire investment from the STF without restriction or penalty.

Loans Receivable:
Notes and loans receivable are principally amounts due from students under federally sponsored programs which are subject to certain requirements. Accordingly, it is not practical to determine the fair value of such amounts.

Student Aid:
Student aid, of $235,175,000 and $229,790,000 for the years ended June 30, 2008 and 2007, respectively, has been classified as a reduction of student tuition and fees. In addition, student aid in the amount of $2,816,000 and $2,731,000 for the years ended June 30, 2008 and 2007, respectively, has been classified as a reduction of auxiliary enterprises (room and board) revenue.

Student aid in addition to tuition, fees, room and board in the amount of $12,510,000 and $12,166,000 for the years ended June 30, 2008 and 2007, respectively, has been classified as an operating expense.

Depreciation Policy:
All capital expenditures for, and gifts of, land, buildings, equipment, and library books are recorded as additions to unrestricted net assets when the assets are placed in service, and carried at cost at the date of the acquisition or fair value at the date of donation. Depreciation is computed on a straight-line basis over the remaining useful lives of assets as follows: buildings, 50 years; renovations and improvements, 20 years or lease term, if shorter; library books, 10 years; and equipment, 2 to 15 years. University buildings used in sponsored research activities are depreciated from 12 to 50 years, by using the distinct useful lives for each major building component.

Depreciation for the years ended June 30, 2008 and 2007 was $80,217,000 and $76,472,000, respectively.

Allocation of Expenses:
Certain expenses have been allocated to functional expenses in the statement of activities. These expenses are comprised of, in thousands of dollars:

	2008	2007
Operation and maintenance of plant	$ 91,146	$ 89,413
Interest on indebtedness	52,534	53,771
Depreciation expense	80,217	76,472

Collections:
The University's collections, which were acquired through purchases and contributions since the University's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as releases from temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The University's collections are made up of artifacts of historical significance, scientific specimens, and art objects that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed regularly. The collections are subject to a policy that requires proceeds from dispositions to be used to acquire other items for collections.

Split-Interest Agreements:
The University's split-interest agreements with donors consist of irrevocable charitable gift annuities and charitable remainder trusts held and administered by others. For annuity contracts, the contributed assets are included as part of investments at fair value. Contribution revenue, net of the accompanying obligation is recognized as of the date the donated assets are transferred to the University, and liabilities are recorded for the present value of the estimated future payments to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the annuities consistent with changes in the value of the assets and actuarial assumptions.

The present values of the estimated future cash receipts from charitable remainder trusts are recognized as assets and contribution revenues as of the dates the trusts are established. Distributions from these trusts are recorded as contributions, and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

Related Party Transactions:
Under the University's conflict of interest policy, all business and financial relationships between the University and entities affiliated with trustees and officers are subject to the review and approval of the Audit Committee of the Board of Trustees.

Income Taxes:
The University is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement 109" (FIN 48). FIN 48 addresses the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax provisions taken or expected to be taken in a tax return. FIN 48 also provides guidance on measurement, classification, interest and penalties, and disclosure. FIN 48 was effective for the University on July 1, 2007 and did not have a material impact on the University's financial statements.

Use of Estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant estimates are made in the areas of accounts receivable, pledges receivable, investments, and accrued expenses.

Conditional Asset Retirement Obligations:
The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," and Financial Accounting Standards Interpretation (FIN) No. 47, "Accounting for Conditional Asset Retirement Obligations." When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities.

New Accounting Pronouncements:
In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements." This statement defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. In addition, SFAS 157 expands the disclosures regarding the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. The disclosures focus on the inputs used to measure fair value, the recurring fair value measurements using significant unobservable inputs, and the effect of the measurement on changes in net assets for the period.

SFAS 157 will be effective for the University as of July 1, 2008. The University is currently evaluating the impact of adoption of this standard and does not believe it will have a material impact on its consolidated financial statements.

2. Investments

Total investments by type as of June 30, 2008 and 2007, in thousands of dollars, were as follows:

	2008		2007	
Summary by Asset Class	Cost	Fair Value	Cost	Fair Value
Global Equities	$ 337,441	$ 512,683	$ 327,603	$ 585,733
Marketable Alternatives	151,290	184,259	76,539	106,896
Non-Marketable Alternatives	223,352	228,840	188,346	195,668
Real Assets	136,271	149,877	67,398	76,176
Fixed Income	68,699	70,107	162,299	163,640
Total	$ 917,053	$ 1,145,766	$ 822,185	$ 1,128,113

The following summarizes, in thousands of dollars, the investment return, as reflected in the statement of activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
Dividend and interest income	$ 13,997	$ 12,429	$ 305	$ 26,731	$ 35,661
Net realized and unrealized gains (losses)	4,589	13,543	(730)	17,402	193,320
Total return on investments	18,586	25,972	(425)	44,133	228,981
Less: Spending formula amount	(7,031)	(22,989)		(30,020)	(28,803)
Less: Other non-endowment income	(12,013)		(305)	(12,318)	(16,116)
	(19,044)	(22,989)	(305)	(42,338)	(44,919)
Excess (deficit) of investment return over spending formula amount	$ (458)	$ 2,983	$ (730)	$ 1,795	$ 184,062

The amounts distributed from the investment yield of pooled investments in any one year may include interest, dividends, and a portion of accumulated investment gains. The distribution is based on fixed quarterly amounts per unit and is calculated as 4% of a twenty-quarter moving average of pooled endowment fund market values. The return distributed is equivalent to an annual investment yield, using the average market value of pooled endowment funds for the five preceding quarters for the fiscal year ended June 30, 2008 and 2007, respectively. During the fiscal years ended June 30, 2008 and 2007, 2.5% and 2.6%, respectively, represented the distribution as a percentage of the ending market value of the pooled endowment fund.

At June 30, 2008 and 2007, respectively, approximately $185,000 and $160,000 of unrealized losses on permanently restricted endowment funds were classified as a reduction in unrestricted net assets as the market value of these funds was less than their book value. Unrestricted net assets will be replenished when the market value equals or exceeds the book value.

In June 2006, the University entered into a transaction to securitize its interests in $88.2 million of expected future residual cash flows associated with an investment in an investment banking partnership. To facilitate this transaction, the University, as a unit holder of this investment, transferred its right, title, and interest in these future cash flows to a newly formed bankruptcy remote limited liability corporation called BU Funding, LLC (“LLC”). The University owns 100% of the membership interests of the LLC; however, the LLC’s Board of Directors will consist of one director independent of the University. The majority of the other unit holders also transferred their respective interests to similarly structured bankruptcy remote limited liability corporations.

The LLC, subsequent to formation, issued a zero coupon note to Deutsche Bank Litigation Fee (“DBLF”), which is collateralized by the LLC’s rights to the majority of the future cash flows from this investment. The note has a face value of approximately $88.2 million — an amount equal to the aggregate residual proceeds scheduled to be received between 2007 and 2021. The note was purchased at a discounted price of approximately $25.2 million and is non-recourse to the University. The LLC has been consolidated within the financial statements of the University. Accordingly, this discounted note obligation is included as a liability on the Statement of Financial Position. The discount on the note will be amortized, using the effective interest method, over the scheduled maturity of the note. The note obligation will decrease as future residual cash flows are received. As a result, the note is expected to accrete to a maximum accrued amount of $54.3 million in 2014 before declining to a balance of zero in 2021. DBLF, as the counterparty to this note, has assumed the two principal risks potentially disrupting the future cash flow distributions. Any remaining risks to the disruption of future cash flows are considered remote.

Provided that the note obligation has been extinguished in 2021, the University remains the beneficiary of $39.7 million of future cash flows expected in 2022–2025. However, due to the uncertainty of the timing and ultimate amount of these future cash flows, the University has recorded this investment at a nominal value.

As of June 30, 2008, investment commitments to venture capital limited partnerships and private equity funds total $92,845,000 and are expected to be drawn down by the general partners over the next two to three years.

3. Receivables and Pledges

Accounts and loans receivable at June 30, 2008 and 2007, in thousands of dollars, consist of the following:

	2008	2007
Accounts receivable, net:		
Students	$ 13,953	$ 13,732
Less allowances	(5,870)	(5,827)
	8,083	7,905
Grants and contracts	44,310	49,687
Departmental sales, services, and other	36,839	28,817
Less allowances	(10,976)	(4,654)
	70,173	73,850
Student loans	69,297	67,006
Less allowances	(2,556)	(3,006)
	66,741	64,000
Receivables for investments sold	12,525	1,472
Total	$ 157,522	$ 147,227

Total allowances for doubtful accounts as of June 30, 2008 and 2007 are $19,402,000 and $13,487,000, respectively.

Included in accounts receivable at June 30, 2008 and 2007 is $1,175,000 and $1,822,000 respectively, related to split dollar life insurance policies. These assets have been recorded at the lower of cash surrender value or the present value of cumulative premiums paid, discounted using credit adjusted risk free rates over the actuarially determined life expectancies of the related beneficiaries.

The University has outstanding notes, mortgages, and advances bearing interest at rates up to 6% at June 30, 2008 and 2007, to certain employees. The aggregated amount as of June 30, 2008 and 2007, is $3,765,000 and $1,490,000, respectively.

Pledges, net of discounts and allowances, in the amount of $31,702,000 and $31,932,000, are recorded as receivables with the revenue assigned to the appropriate net asset category for fiscal years 2008 and 2007, respectively. Pledges consist of unconditional written promises to contribute to the University in the future. At June 30, 2008 and 2007, pledges, in thousands of dollars, are expected to be realized in the following time frame:

	2008	2007
In one year or less	$ 14,100	$ 17,484
Between one year and five years	15,316	16,989
More than five years	12,345	10,483
	41,761	44,956
Discount to present value	(7,032)	(7,056)
Less allowance for unfulfilled pledges	(3,027)	(5,968)
Pledges receivable	$ 31,702	$ 31,932

4. Property, Plant, and Equipment

Property, plant, and equipment and related accumulated depreciation at June 30, 2008 and 2007, in thousands of dollars, consist of the following:

	2008	2007
Land	$ 99,383	$ 92,317
Buildings and improvements	2,017,438	1,961,356
Construction in progress	339,578	154,026
Equipment	179,159	171,504
Library books	125,304	117,490
	2,760,862	2,496,693
Less accumulated depreciation	(803,899)	(737,013)
Property, plant, and equipment, net	$1,956,963	$1,759,680

As of June 30, 2008 and 2007, buildings and improvements include $84,642,000 associated with office and research space under capital lease.

During fiscal year 2008, the University incurred capital expenditures of $81,259,000 and $75,580,000 for construction of the National Emerging Infectious Diseases Laboratory (NEIDL) and the Student Village Phase II, respectively. These expenditures are included within construction in progress at June 30, 2008, and will be placed in service when construction is complete and the projects are ready for their intended use. Refer to Note 7, Commitments and Contingencies, for additional disclosures regarding the NEIDL.

Certain fully depreciated equipment amounting to approximately $8,706,000 and $8,571,000 was removed from the statement of financial position in 2008 and 2007, respectively.

Certain disposed property with a net book value of approximately $1,426,000 was removed from the statement of financial position in 2008. In addition, certain buildings were sold, during fiscal 2008. At the time they were sold, they had a net book value of $7,933,000. In connection with the sale, a loss of $1,164,000 was recorded.

On June 30, 1998, the University entered into a lease/lease back arrangement with a private investor relating to four properties. The lease terms range from 41 to 52 years, and the total value of these properties was approximately $222,000,000. The lease payments were prepaid to the University at the closing. The University's sublease terms range from 33 to 42 years, and the University has an option to purchase the investor's leasehold interest in the properties on dates specific to each property between years 15 and 24. The University has prefunded both the required annual sublease payment obligations and the amounts necessary to exercise each specific lease buyout option. Accordingly, $43,310,000 has been included in the University's consolidated statement of financial position within prepaid expenses and other assets and accounts payable and accrued expenses at June 30, 2008.

5. Indebtedness

Notes and bonds payable at June 30, 2008 and 2007, in thousands of dollars, are as shown below:

	Outstanding Principal	
	2008	2007
Tax-Exempt Bonds, Notes, and Mortgages Payable:		
Variable-rate bonds and notes:		
Massachusetts Health and Educational Facilities Authority		
Series E, Capital Asset Program, 4.50% at June 30, 2008 due 2011	$ 18,000	$ 18,000
Series H, 1.15% at June 30, 2008, due 2026–2029	69,000	69,000
Series Q (Refunded as Part of Issuance of Series U Variable Rate Demand Bonds)		86,800
Massachusetts Development Finance Agency		
Series R (Refunded as Part of Issuance of Series U Variable Rate Demand Bonds)		250,200
Series U-1 to U-3 and U-5A to U-6E, 2.12% blended variable rate at June 30, 2008, due 2008–2042	486,365	
Fixed-rate bonds and notes:		
Massachusetts Health and Educational Facilities Authority		
Series S, 4.71% blended fixed rate, due 2035–2039	35,000	35,000
Massachusetts Development Finance Agency		
Series P, 5.63% blended fixed rate, due 2025–2059	100,000	100,000
Series T-1, 5%, due 2030–2039	162,740	162,740
Series U-4, 2%, due 2030–2040	50,000	
Total Tax-Exempt Bonds, Notes, and Mortgages Payable:	921,105	721,740
Taxable Bonds, Notes, and Mortgages Payable:		
Variable-rate bonds and notes:		
Massachusetts Health and Educational Facilities Authority		
Series N, 2.75% at June 30, 2008, due 2008–2034	134,200	134,700
Boston University:		
Series 1999 SAVRS, 4.96% at June 30, 2008, due 2010–2019	21,950	21,950
Royal Bank of Scotland, 6.31% at June 30, 2008, due 2008–2029	59,172	61,066
Fixed-rate bonds, notes, and mortgages:		
Massachusetts Development Finance Agency		
Series T-2, 5.27%, due 2030	4,260	4,260
Boston University:		
Century Notes, 7.63%, due 2097	100,000	100,000
Aetna Loan, 10.20%, due 2008–2018	10,298	10,827
Citizens Bank Loan, 3.99%, due 2007		6,588
Various notes payable, 0%–7%, due 2010–2022	5,391	6,017
Total Taxable Bonds, Notes, and Mortgages Payable:	335,271	345,408
Total Bonds, Notes, and Mortgages Payable:	$1,256,376	$1,067,148
Net Unamortized Bond Premium and Discount	10,747	10,307
Total Bonds, Notes, and Mortgages Payable:	$1,267,123	$1,077,455

At June 30, 2008, the University had outstanding variable rate debt of $788,687,000 and outstanding fixed-rate debt, including capital lease obligations, of $552,489,000.

Scheduled principal payments on notes, bonds, and capital lease obligations, in thousands of dollars, are:

Year	Principal
2009	$ 7,712
2010	5,338
2011	25,057
2012	7,518
2013	7,798
Thereafter	1,287,753
Total	$ 1,341,176

Plant property with a book value before depreciation of $4,333,000 as of June 30, 2008, as well as tuition revenues, are pledged as collateral for certain obligations. Indebtedness agreements contain tests for unrestricted revenues, net of expenditures and debt payments and certain restrictions on the amount of additional indebtedness. The University is required to maintain certain financial covenants including various ratio calculations for some of its underlying debt obligations.

The fair market value of the University's bonds at June 30, 2008, approximates $1,179,879,000. The fair market value is estimated based on discounted cash flow with interest at current rates based on similar issues.

In May 2008, the University issued $486,365,000 of Series U-1, Series U-2, Series U-3, Series U-5A, Series U-5B, Series U-6A, Series U-6B, Series U-6C, Series U-6D, and Series U-6E tax-exempt Massachusetts Development Finance Agency Variable Rate Demand Revenue Bonds (collectively, Series U Bonds). The proceeds from the sale of Series U-5A and U-5B bonds were used, together with other available funds, to refund $85,300,000 of Massachusetts Health and Educational Facilities Authority Series Q-1 and Series Q-2 bonds. The proceeds from the sale of Series U-6A through U-6E bonds were used, together with other available funds, to refund $250,200,000 of Massachusetts Development Finance Agency Series R-1 through R-4 bonds. The remaining proceeds from the Series U-1 through U-3 bonds in the amount of $150,000,000 will be used to finance all or a portion of certain capital projects as well as the acquisition of certain property and buildings. The Series U bonds are structured as multi mode obligations and are currently being remarketed in a combination of weekly and daily variable rate resets and collateralized by irrevocable direct pay Letters of Credit. The Series U bonds mature in annual installments ranging from $1,500,000 to $101,290,000 in 2008 through 2042. An amount of $9,354,000 consisting of the remaining unamortized bond issue costs relative to the refunded Series Q and Series R bonds is reflected as a deduction in the "Other additions (deductions)" line of the Consolidated Statements of Activities.

In May 2008, the University issued $50,000,000 of Series U-4 tax-exempt Massachusetts Development Finance Agency Variable Rate Revenue Bonds to finance all or a portion of certain capital projects as well as the acquisition of certain property and buildings. The Series U-4 bonds were issued in the Term Rate Mode at an initial interest rate of 2% through June 2009. The Series U bonds are structured as multi mode obligations and will mature in annual installments ranging from $3,690,000 to $5,360,000 in 2030 through 2040.

In May 2008, the University converted $134,200,000 of Series N taxable Massachusetts Health and Educational Facilities Authority Select Auction Variable Rate Securities (SAVRS) to Variable Rate Demand Revenue Bonds. The Series N bonds are structured as multi mode obligations and are currently remarketed in a weekly variable rate reset and collateralized by an irrevocable direct pay Letter of Credit. The Series N bonds mature in annual installments ranging from $800,000 to $13,850,000 in 2009 through 2034. An amount of $288,000 consisting of the remaining unamortized bond issue costs relative to the refunded Series N bonds is reflected as a deduction in the "Other additions (deductions)" line of the Consolidated Statements of Activities.

Subsequent to year end, the University effected an early redemption of $21,950,000 of the outstanding Series 1999 taxable Select Auction Variable Rate Securities (SAVRS).

During the year ended June 30, 2007, the University entered into a fixed rate swaption agreement on the Series S bonds with a notional amount of $35,000,000. Under the swaption, the University received $2,304,000 from the counterparty in exchange for a one-time option to enter into a fixed rate swap on October 1, 2014, the call date of the Series S bonds. The option, if exercised provides that the University pay a fixed rate of 4.70% in exchange for a variable rate equal to the monthly SIFMA municipal swap index rate on an amortizing notional amount consistent with the existing principal amortization schedule for the Series S bonds. The fixed rate for Series S is 4.71%.

During the year ended June 30, 2008, the University entered into a fixed rate swaption agreement relating to the Series T bonds with a notional amount of $162,740,000. Under terms of this swaption agreement the University received $10,000,000 from the counterparty in exchange for a one-time option to enter into a fixed rate swap on October 1, 2015, the call date of the Series T bonds. The option, if exercised provides that the University pay a fixed rate of 4.95% in exchange for a variable rate equal to the monthly SIFMA municipal swap index rate on an amortizing notional amount consistent with the existing principal amortization schedule for the Series T bonds. The fixed rate for Series T is 5%.

The University has entered into various interest rate exchange agreements in order to partially hedge variable interest rate exposure on certain debt issues, thereby managing the interest cost and risk associated with its outstanding debt. At June 30, 2008, the University had interest rate exchange agreements with total notional principal of $594,162,000 with expiration dates through 2042. These instruments require the University to make fixed-rate payments in exchange for variable-rate payments on the respective notional principal amounts. The notional amounts of each interest rate exchange agreement decrease as payments on the underlying obligations are made. The University receives variable-rate payments that are expected to approximate interest on the underlying variable-rate debt.

Below is a summary of the terms of the University's outstanding interest rate exchange agreements as of June 30, 2008, in thousands of dollars:

Interest Rate Exchange Agreement	Notional Amount	Effective Date	Termination Date	University Pays	University Receives
Royal Bank of Scotland	$ 59,172	8/15/2006	8/15/2029	5.65%	GBP 3-Mo. LIBOR +45 basis points
Series H	25,000	10/30/1997	12/1/2027	5.28%	SIFMA*
Series N	24,490	10/30/1997	10/1/2027	6.79%	LIBOR*
Series Q	85,300	10/30/2001	10/1/2031	4.10%	67% of 1-Mo. LIBOR*
Series R	10,700	10/1/2002	10/1/2022	4.16%	67% of 1-Mo. LIBOR*
Series R	239,500	7/1/2008	10/1/2042	5.42%**	SIFMA*
Series U	150,000	10/1/2007	10/1/2040	3.97%**	69% of 1-Mo. LIBOR*

*SIFMA-Securities Industry and Financial Markets Association Municipal Swap Index
LIBOR-London Interbank Offered Rate
**Represents a Blended Interest Rate

Interest rate exchange agreements, including the Series S and T swaption agreements, are recorded at an estimated market value of $(112,092,000) and $(46,466,000) at June 30, 2008 and 2007, respectively, and the decrease in estimated market value of $(65,626,000) and $(7,799,000) in 2008 and 2007, respectively, is included in nonoperating losses on interest rate exchange agreements. The estimated market value of the interest rate exchange agreements was computed by third party financial intermediaries using the net present value of fixed and floating future cash flows, with floating future flows estimated through the use of forward interest rate yield curves. These financial instruments necessarily involve counterparty credit exposure. Certain interest rate exchange agreements include two-way collateral posting requirements intended to mitigate credit risk. At June 30, 2008, the University posted collateral in the amount of $14,245,000.

The Lehman Brothers Holdings Inc. (LBHI) bankruptcy filing in September 2008 constituted an event of default as defined in the International Swaps and Derivatives Association, Inc. Master Agreement between the University and Lehman Brothers Commercial Bank (LBCB). As a result, in October 2008 the University terminated and replaced its existing LBCB interest rate exchange agreements with replacement counterparties. The notional amounts, termination dates, fixed rate paid by the University, and the variable rates received by the University are the same as the terminated swaps. In addition, in September 2008 the University replaced Lehman Brothers as the remarketing agent on its Variable Rate Demand Bond programs. The counterparties for all other interest rate exchange transactions are major financial institutions that meet the University's criteria for financial stability and credit-worthiness.

Interest expense of approximately $55,821,000 and $55,384,000 incurred in fiscal years 2008 and 2007, respectively, is net of $3,139,000 and $997,000 respectively, in interest capitalized as a cost of construction. In addition, in fiscal years 2008 and 2007 the University paid net settlement costs on interest rate exchange agreements of $3,287,000 and $1,613,000, respectively. These net settlement costs have been recorded as nonoperating activities within the Consolidated Statements of Activities.

6. Pension and Other Employee Benefits

403(b) Plan:
The University makes retirement plan contributions to Teachers Insurance and Annuity Association (TIAA), College Retirement Equities Fund (CREF), and Fidelity Investments for faculty and staff. This 403(b) plan is a defined contribution plan available to all employees who work at least 50% of a full-time schedule, and have an appointment or an expected assignment duration of at least nine months. The expenses for this program amounted to $48,311,000 in fiscal year 2008 and $45,745,000 in fiscal year 2007.

Pension and Other Postretirement Benefit Plans:
The University maintains a qualified defined benefit pension plan that covers certain retirees and eligible employees who elected to participate before December 31, 1986. As of December 31, 1986, the plan was closed to any new participants as well as to additional employee contributions. Due to the funded status of the plan, no University contributions were required for the fiscal year ended June 30, 2008.

During fiscal year 2008, the University initiated the process to terminate the Boston University Retirement Income Plan. The Plan assets were used to purchase guaranteed annuities on behalf of the participants in order to settle the pension liability. The selected insurance carrier met the "Safest Available Annuity" guidelines set by the Department of Labor regulations under the Employee Retirement Income Security Act. Required annuity purchases totaling $16,177,000 were made during the fiscal year. The remaining $3,723,000 of plan assets will be used to purchase additional benefits for the participants. The University is awaiting a final determination from the Internal Revenue Service on the plan termination filing. Once the final determination has been received, the University will complete the termination of the Plan.

In addition, the University offers subsidized health care coverage to employees who retire from the University after age 55 until age 65, provided they have at least ten consecutive years of participation in the plan at the time they retire. The University also provides minimal life insurance benefits to retirees.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans.* SFAS 158 focuses primarily on balance sheet reporting for the funded status of benefit plans and requires recognition of benefit liabilities for under-funded plans and benefit assets for over-funded plans, with offsetting impacts to unrestricted net assets. The impact of adoption resulted in a net decrease of $13,964,000 in unrestricted net assets, which has been recorded as a cumulative effect of a change in accounting principle during the fiscal year ended June 30, 2007.

The following illustrates the adjustments to record the funded status as of June 30, 2007:

	Before Application of SFAS 158	Pension Benefits Adjustments	Other Benefits Adjustments	After Application of SFAS 158
Prepaid and other assets	$ 93,611	$ (3,513)	$	$ 90,098
Total assets	3,434,609	(3,513)		3,431,096
Accrued payroll and related expenses	114,286		(10,451)	124,737
Total liabilities	$1,660,055	$	$ (10,451)	$ 1,670,506
Unrestricted net assets	$ 991,144	$ (3,513)	$ (10,451)	$ 977,180

Pension and Other Postretirement Benefit Plans at June 30, 2008 and 2007, in thousands of dollars:

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Change in Benefit Obligation				
Benefit obligation at beginning of year	$ 16,326	$ 16,672	$ 33,795	$ 22,195
Service cost			2,054	1,573
Interest cost	915	936	2,079	1,569
Plan amendments	3,994		(26)	(1,417)
Actuarial (gain) loss	563	394	(669)	11,756
Benefits paid	(1,898)	(1,676)	(2,436)	(1,881)
Settlements	(16,177)			
Benefit obligation at end of year	3,723	16,326	34,797	33,795
Change in Plan Assets				
Fair value of plan assets at beginning of year	20,629	19,716		
Actual return on plan assets	1,169	2,589		
Benefits paid	(1,898)	(1,676)		
Settlements	(16,177)			
Fair value of plan assets at end of year	3,723	20,629		
Funded status		4,303	(34,797)	(33,795)
Net amount recognized in the Statement of Financial Position	$	$ 4,303	$ (34,797)	$ (33,795)
Other Changes in Plan Assets and Benefit Obligations Recognized in the Statement of Activities:				
Settlements	(2,105)			
Current year actuarial gain	1,057		(669)	
Amortization of actuarial gain (loss)	(234)		(1,342)	
Current year prior service (credit)/cost	3,994		(26)	
Amortization of prior service (credit)/cost	(6,225)		1,095	
Total recognized in Statement of Activities	$ (3,513)	$	$ (942)	$
Amounts Recognized in Unrestricted Net Assets Consist of:				
Net actuarial loss	$	$ 1,282	$ 13,783	$ 15,644
Prior service cost/(credit)		2,231	(4,124)	(5,193)
	$	$ 3,513	$ 9,659	$ 10,451

Weighted-average Assumptions used to determine net periodic cost as of June 30				
Discount rate	6.00%	6.00%	6.00%	6.00%
Expected long-term rate of return on plan assets	8.50%	8.50%	N/A	N/A
Weighted-average Assumptions used to determine benefit obligation as of June 30				
Discount rate	6.25%	6.00%	6.00%	6.00%
Initial health care trend	N/A	N/A	9.00%	10.00%
Ultimate health care trend	N/A	N/A	5.00%	5.00%
Years to reach ultimate	N/A	N/A	8	5

For measurement purposes, a 9% and 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2008 and 2007, respectively, decreasing at 1% per year thereafter until an ultimate rate of 5% in 2013.

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Components of Net Periodic Benefit Cost				
Service cost	$	$	$ 2,054	$ 1,573
Interest cost	915	936	2,079	1,569
Expected return on plan assets	(1,663)	(1,585)		
Amortization of prior service cost	6,225	398	(1,095)	(843)
Settlement loss	2,105			
Recognized actuarial loss	234		1,342	591
Net periodic benefit cost	$ 7,816	$ (251)	$ 4,380	$ 2,890

The gain/loss, prior service cost/credit, and transition amount expected to be recognized in net periodic benefit cost in 2009 are as follows:

	Pension Benefits	Other Benefits
Actuarial (gain)/loss	$	$ 1,126
Prior service (credit)/cost		(1,100)
Transition (asset)/obligation		
Total	$	$ 26

Assumed health care cost trends have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects:

	1% Point Increase	1% Point Decrease
Effect on total of service and interest cost components	$ 386	$ (345)
Effect on postretirement benefit obligation	1,988	(1,837)

The accumulated benefit obligation at June 30, 2008 and 2007 was $3,723,000 and $16,326,000, respectively.

Plan Assets

The pension plan weighted average asset allocations as of June 30, 2008 and 2007, respectively, are as follows:

	Plan Assets Fiscal Year Ending	
Asset Category	2008	2007
Equity securities	78%	78%
Fixed income	22%	22%

The expected long-term rate of return assumption represents the expected average rate of earnings on the fund invested or to be invested to provide for the benefits included in the benefit obligations. The long-term rate of return assumption is determined based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses, and the potential to outperform market index returns.

Expected Cash Flows

Information about the expected cash flows for the U.S. pension and other postretirement benefit plans are as follows:

	Pension Benefits	Other Benefits
Employer contributions		
2009 (Expected)	$	$2,228
Expected benefit		
2009	3,723	2,228
2010		2,591
2011		2,892
2012		3,278
2013		3,387
2014–2018		21,176

7. Commitments and Contingencies

As of June 30, 2008, approximately $171,294,000 is committed principally on open construction contracts and capital acquisitions. This amount will be financed from operations, federal government grants, private donations, and borrowings.

The University has also formally agreed to support the Huntington Theatre, Inc., a nonprofit theatre production company, during the next two years in the amount of $510,000 annually.

The University is committed to minimum annual rent payments under several long-term noncancelable operating and capital leases through the year 2038, for the use of educational facilities and office space, in thousands of dollars, as follows:

	Operating	Capital
2009	$ 17,762	$ 3,629
2010	17,067	3,738
2011	15,409	3,738
2012	14,250	3,868
2013	13,442	3,868
Thereafter	98,874	212,788
	$ 176,804	$ 231,629
Less: Amounts representing interest		146,829
Capital lease obligation		$ 84,800

Rent expense for educational facilities and office space amounted to $23,268,000 and $23,066,000 during the years ended 2008 and 2007, respectively. Certain of these leases provide for an option to purchase these properties at fair value.

In fiscal 1993, the University commenced leasing a 180,000-square-foot biomedical research facility under a 25-year noncancelable lease requiring minimum annual lease payments of approximately $3,276,000, which are included in the table above. The building was constructed at a cost of $41,500,000 by a trust of which the University is a 50% beneficiary. The trust had outstanding debt of $19,967,000 at June 30, 2008.

In fiscal 2000, the University commenced leasing a portion of a 171,000-square-foot biomedical research facility. The 30-year noncancelable lease of 69,000 square feet of space requires minimum annual lease payments of approximately $2,043,000, which are included in the table above. The building was constructed at a cost of $52,132,000 by a trust of which the University is a 50% beneficiary. As of June 30, 2008, the trust had outstanding debt of approximately $19,693,000.

In fiscal 2000, the University commenced leasing 50% of a 1,000-space parking garage under a 20-year noncancelable lease requiring minimum annual lease payments of $779,000, which are included in the table above. The garage was constructed at a cost of $18,187,000 by a nonprofit corporation of which the University has a 50% interest. As of June 30, 2008, the corporation had outstanding debt of approximately $12,800,000.

The University has leased a property under a 10-year noncancelable lease requiring minimum annual lease payments of $715,000, which are included in the table above. The building was constructed at a cost of approximately $9,105,000 by a real estate partnership of which the University owns 45%. As of June 30, 2008, the real estate partnership had outstanding debt of approximately $9,200,000.

On July 1, 1996, the University entered into a Support Agreement with the Boston Medical Center Corporation which was formed from the merger of Boston City Hospital and Boston University Medical Center Hospital. The commitment for fiscal year 2009 approximates $8,000,000.

During fiscal 2004, the University entered into a lease agreement for approximately 52,000 square feet of newly constructed office and research space in a 161,000-square-foot biomedical research facility at 670 Albany Street. During fiscal 2006, the University took occupancy and recorded a capital lease asset and obligation associated with this agreement. Future minimum lease payments under this agreement amount to approximately $58,596,000, to be paid over the 60-year term.

During fiscal 2006, the University entered into a lease agreement to occupy an additional 22,000 square feet of office and research space at 670 Albany Street. During fiscal 2007, the University took occupancy and recorded a capital lease asset and obligation associated with this agreement. Future minimum lease payments under this agreement amount to approximately $26,204,000, to be paid over the 60-year term.

In September 2003, the University received an award from the National Institutes of Health ("NIH") for the construction of a Level-4 National Emerging Infectious Diseases Laboratory ("NEIDL") to be located on the University's Medical Campus. This laboratory will be used by the University, Boston Medical Center, as well as other organizations to support the federal government's bio-defense effort. As part of this award, NIH will provide $141 million of the construction costs of the NEIDL. Boston University and Boston Medical Center will each provide $28.3 million toward construction, and will each receive a 50% equity interest in the NEIDL. As such, both parties have the right to share equally in the future operating activities of the laboratory. Whereas, the University controls the activity associated with the award, the costs of construction have been recorded on the accompanying consolidated financial statements, and Boston Medical Center's 50% equity interest has been recorded as a minority interest liability. As of June 30, 2008, the University incurred expenditures of approximately $165,641,000 toward construction of the laboratory, of which $110,080,000 and $17,047,000 have been reimbursed to the University by NIH and Boston Medical Center, respectively. Based on the construction costs incurred and reimbursement received through June 30, 2008, $72,087,000 has been recorded as a minority interest liability on the University's financial statements, and $55,040,000 of the NIH reimbursement has been recorded as an increase to temporarily restricted net assets and will be released from restriction when the NEIDL is placed in service. As of June 30, 2008, the costs of constructing the NEIDL were included in construction in progress pending the completion of the laboratory as well as the results of ongoing safety reviews that must be obtained prior to receiving permits to operate the facility.

Audits of specific contracts and grants by the Department of Health and Human Services have been conducted on a periodic basis. The University believes that adverse determinations, if any, from audits by the Department of Health and Human Services or other agencies will not be material to the financial statements.

The University is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot currently be determined, the University believes that eventual liability, if any, will not have a material effect on the University's financial position.

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